

**CAPITAL REGIONAL DISTRICT**  
**Regional Planning Services Department**

Staff Report to the Regional Planning Committee  
Meeting on Wednesday March 19, 2003

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**SUBJECT:**

BC Transit Funding and Service Strategy Review

**BACKGROUND:**

The Board of Governors of BC Transit is undertaking a review of the funding and service strategy of the corporation, and is seeking input from local governments. Consultation with BC Transit has, to date, been with direct funding partners. In the Capital Region, the funding partner is the Victoria Regional Transit Commission.

Phase one of this initiative sought input from local government partners throughout BC on three areas: the current transit partnership, funding, and decision-making and partnership frameworks. The local governments indicated a level of satisfaction with the current funding and formula. There was support for finding efficiencies in the current system and the provision of new funding mechanisms, such as a fuel tax.

The discussion paper presents four options for addressing the funding crunch. The purpose of this report is two-fold:

- 1) To provide information to the members of the Regional Planning Committee on BC Transit's funding and servicing strategy; and,
- 2) To recommend that the local governments within the Capital Region and the Victoria Region Transit Commission make a request to the province to establish a consultation program on this issue. An opportunity should be provided for more local government input into any option that potentially affects the local constituents in terms of cost and access to transit. At a minimum, the province should hold off on making any decision on the funding or governance arrangement for transit until the Regional Transportation Strategy has been substantially completed. At that time, the local governments, and the public, may have a better sense of what the transit needs and trade-offs will be, and their associated funding implications.

**DISCUSSION:**

The BC Transit corporation is facing a funding crunch: demands for service are increasing, provincial funding is not. The province is continuing to cut back programs, service delivery and associated costs in many ministries and provincial corporations. Compounding the effect of the provincial cut-backs, BC Transit is also facing some immediate funding constraints due to increasing cost of fuel – a reflection of supply uncertainty, high oil costs, and new fuel taxes.

Total transit costs in the Victoria region are approximately \$54 million/year. Funding sources include:

- \$17.1 million from the province
- \$8.0 million from the 2.5 cents/litre fuel tax
- \$8.0 million from property taxes
- \$21.0 million from fare box revenues

The provincial share of the operational funding will not be increased to meet new demands. The continuation of even this amount is not guaranteed.

BC Transit's customers and local government partners are faced with a choice:

- Pay more for continued service – from other sources
- Make do with less service

The discussion paper prepared by BC Transit proposes four funding and governance options. Each option has a number of pros and cons for local government and region taxpayers. Essentially, each option requires local governments to impose taxes or fees to fund an increasing share of the transit bills. The governance models provide the option of distributing that cost to 1) BC Transit, 2) a Community Transit Authority, or 3) a Regional Transit Authority, or some combinations of these.

Details of the funding and governance options are included in the attached report (Attachment A)

### **Regional Issues & Concerns**

The implications of significant cut-backs to transit in the future are likely to affect each municipality within the Capital Region, including those that receive minimal levels of service, because each municipality may have to bear a larger cost through increased property taxes and/or fuel charges.

Decreases to transit funding run counter to the intent of the regional growth strategy developed for the Capital Region. The key organizing principle of the RGS is a pattern of centres and corridors, linked and serviced by high levels of transit. A key transportation objective is to accommodate the projected increase in population and employment within the existing road network, by shifting an increasing proportion of trips to transit and non-auto modes. This strategy responds to a number of interests; the federal climate change initiatives related to the Kyoto Accord, the local commitments to sustainable development and contained growth, and the provincial interest in minimizing road expenditures within the region.

Transit service has a significant equity and quality of life component in this region. For some, it is not physically possible to get around without transit service. For many, it is not financially possible to bear a higher cost for transportation, whether through higher fares, property taxes, fuel charges, or combinations of fees and charges made possible through the proposed Community Charter legislation. Options that raise fares or taxes can have a disproportionate effect on low and moderate-income households.

Options for funding transit should consider a re-allocation of government fuel taxes, rather than adding new charges. For example, transit service should be exempt from the recent 3.5 cents/litre provincial tax. A transit system should not be penalized in this type of revenue enhancement scheme. Another option is to seek a re-allocation of existing fuel taxes. The cities of Calgary and Edmonton obtained a 5 cents/litre share of the provincial fuel tax to fund all transportation (roads & transit) in lieu of other provincial grants. The consumer did not experience a cost increase as the fuel tax money was a re-allocation of the tax already collected by the province.

**Moving Forward:**

Regardless of what option or model is eventually chosen, local governments in the Capital Regional District will need to move forward on a number of initiatives to ensure that local transit issues, needs and concerns are adequately addressed.

Starting points may include:

***1) Improved communication and collaboration with the Victoria Regional Transit Commission***

The Victoria Regional Transit Commission has the legal mandate to establish funding levels and service levels. As the legal funding partner with the province (through BC Transit) they are responsible for establishing and communicating the region-wide decisions on transit. Co-ordination with them on related policy and governance concerns is essential for developing appropriate and equitable responses to funding and governance issues.

***2) Collective action on building a business case***

Both the federal and provincial governments are reducing project and operating funding. Successful funding recipients need a strong business case to access scarce funding dollars. The move to more partnership arrangements reinforces this need. Funding local government initiatives is now a very competitive business. Unfortunately, the multi-jurisdictional nature of the Capital Region can work against the local communities when it comes to dealing with senior levels of government. Multiple requests for assistance and competing demands can limit the dollars available to local communities. Cooperative planning and collective action is needed on some of these larger-scale issues.

BC Transit's discussion report notes that local-provincial transit partnerships will be an asset in securing new funding from the federal government, and retaining any assistance from the province.

***3) Enhance the provincial partnership***

Two initiatives would assist the Capital Region to build a more compelling case for a secure funding source and a business case for provincial and federal transit funds:

- adoption of the Regional Growth Strategy which provides the framework for the business case, and provides the legal mechanism to enter into implementation agreements with the province. It provides a tool for local governments to use to work with the Province, it provides a tool for the Ministry of Community, Aboriginal and Women's Services to use to advocate on the region's behalf when faced with funding cuts.

- completion of the TravelChoices Regional Transportation Strategy, which will provide a better indication of the transit needs, customer preference and priorities for future funding. This study is being conducted in partnership with BC Transit.

Staff recommend that the CRD and member municipalities and the Victoria Region Transit Commission make a request to the province to establish a consultation program on this issue. An opportunity should be provided for more local government input into any option that potentially affects the local constituents in terms of cost and access to transit. At a minimum, the province should hold off on making any decision on the funding or governance arrangement for transit until the Regional Transportation Strategy has been substantially completed. At that time, local governments, and the public, may have a better sense of what the transit needs and trade-offs will be, and their associated funding implications.

**RECOMMENDATION:**

That the Regional Planning Committee recommend to the Board that the CRD:

- 1) work with member municipalities and the Victoria Regional Transit Commission to request the province to establish a consultation program addressing transit funding and governance in the Capital Region,
- 2) initiate this process following substantial completion of the Regional Transportation Strategy, and
- 3) advise the Minister of Community, Aboriginal and Women's Services (MCAWS) and the Board of Directors for BC Transit of this intent.

**FINANCIAL IMPACT OF THE RECOMMENDATION:**

N/A

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Director, Regional Planning Services

**EXECUTIVE DIRECTOR'S COMMENTS:**

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W.M. Jordan, Executive Director  
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